MAKING A CASE FOR EMPLOYER-ENFORCED INDIVIDUAL MANDATES

by Mark V. Pauly

Prologue: *The Clinton administration's approach to ensuring universal health insurance coverage has triggered a chorus of complaints from a variety of quarters. Among those critics who take exception to the administration's approach are economists such as Mark Pauly, who argue that there is a better way to deal with financing coverage for currently uninsured workers. In this paper Pauly argues that a special form of an individual mandate for insurance coverage will achieve the same policy objective but raise fewer employer hackles, be less unfair and distortive, help voters know what they are selecting, and assure an equal level of coverage with no more administrative hassle. As President Clinton articulated in a speech before the National Governors' Association in the summer of 1993, Americans need to realize that "health care is not something paid for by the tooth fairy, that we should all be acutely aware of the cost each of us imposes on it." Puuly's proposal for an employer-enforced individual mandate ensures that "the best way to make people aware of the cost of the care they receive is to have them pay for it individually." Pauly holds a doctorate in economics from the University of Virginia. Among his peers, he is considered one of the nation's finest technical economists. Pauly is the Bendheim Professor of Economics at the University of Pennsylvania and chair of its Health Care Systems Department. He is also director of research at the Leonard Davis Institute at Penn. Pauly is a member of the National Academy of Sciences' Institute of Medicine and is the lead author of a widely discussed paper published in the Spring 1991 issue of Health Affairs, entitled "A Plan for 'Responsible National Health Insurance'."*

Abstract: An employer-enforced individual mandate has some substantial advantages over the mixed employer and individual mandate embodied in the Clinton administration's proposed health plan. Economic reasoning strongly suggests that almost all of the cost of an employer mandate will fall on workers and that in any case the incidence of an individual mandate is the same as that of an employer mandate. However, an individual mandate is easier for voters to understand, avoids administrative complexities and inequities, and eliminates the chance of adverse employment effects of mandated employer coverage.

One of the most politically troublesome features of President Bill Clinton's proposed health reform plan is its requirement for mandatory contributions by all employers toward the health insurance coverage of their employees and families. The primary rationale consistently offered by analysts and advocates alike for this feature is that it is the conventional (or "American") way of paying for insurance. Indeed it is, for the great majority of the working population. However, it is equally instructive that this method of choosing and financing coverage has not been chosen by a small but growing minority within the work force. When the job does not bring insurance coverage with it, some workers obtain it in other ways, either through a working spouse or through individual purchase of insurance, and some go without coverage, at least for a time. Employers that do not offer coverage have been most strongly opposed to the proposed Clinton plan, which would make their voluntary behavior illegal. In forbidding anyone from taking a job that does not carry health insurance as a fringe benefit, the plan constrains employers and workers alike.

Nevertheless, there are strong social reasons for arranging institutional structures so that all of the population has at least some health insurance. The most fundamental reason is that insurance may be important in inducing people to purchase medical services that are effective for their health and that other citizens are not willing to see them go without.[1] This same altruistic motivation has led to the construction of arrangements that make services available, even if imperfectly and at the last minute, to sick people who seek them in hospital emergency rooms, but with the cost of these services left to be financed by the "shifting" of costs to the hospital's paying customers. This patchwork arrangement obviously is less satisfactory than the assumption that all citizens have appropriate insurance coverage.

In an attempt to defuse the opposition by noninsuring employers to an employer mandate, the Clinton plan contains a complex pattern of subsidies-a pattern that itself is likely to distort behavior, cause political turmoil, and have a substantial budgetary cost to the government. Is there a better way to deal with the financing of coverage for currently uninsured workers, one that raises fewer employer hackles, is less unfair and distortive, helps voters know what they are choosing, and assures an equal level of coverage with no more administrative hassle? In this paper I argue that a

special form of an individual mandate for insurance coverage will achieve these objectives. If anything will frustrate the attempt, at long last, to assure universal coverage, or lead to postponement of the effective date to an indefinite future, it is the opposition to an employer mandate. Finding a preferable alternative thus takes on special urgency.

Why An Individual Mandate?

The broad rationale for an individual mandate is based on several key facts or premises. The first key fact is that, in any economy, the cost of a good such as health insurance must ultimately be paid by individuals as individuals. Corporations, employers, and governments are often legal persons, but in economic terms they simply represent other individuals, such as stockholders, taxpayers, and owners. Since mandates to pay for something, like the taxes they are, ultimately must fall on individuals, it will at a minimum be necessary to identify who those individuals are in order to evaluate a mandate, and ultimately to consider the desirability of taxing them. The second key fact, as already noted, is that a mandate is a tax. It is an earmarked payment, but it is a compulsory payment for public purposes, a tax by any other name. The third observation is more a premise than a fact: It seems desirable, for rational political decision making, for citizens to be aware of what taxes they are paying to obtain benefits. That is, good political decision making is assisted, as President Clinton noted in his speech introducing the Health Security Act in September 1993, by avoiding the mistaken view that the government can provide benefits for which no one must pay; by implication, the best system is one in which it is easy to see the connection between what one pays and what the public benefits are. The best system is one in which the financing is politically transparent.

In addition to the idea that a good financing mechanism is one in which voters can easily judge who is paying what for what, we usually assume that we have some efficiency and equity objectives in mind. There is a precise economic definition of *efficiency,* but for the present I simply use the concept to mean the absence of distortions in production or consumption arrangements. There is no generally accepted complete definition of *equity,* but there is usually consensus that equity implies that people of equal means should pay the same amount for the same public service ("horizontal equity," in the textbooks) and that people with more total income or wealth should pay more (or at least no less) for a given public benefit ("vertical equity").

All of these observations point in the direction of a main theme of this paper: that direct, explicit taxes to pay for health insurance are to be preferred to indirect, implicit taxes such as an employer mandate. Direct

taxes are easier for citizens to understand, easier to tailor to the income or wealth levels of individual citizens, and generally less distortive than indirect taxes, which are confusing, inequitable horizontally and vertically, and often causes of inefficiency.

Probably the most general direct tax available to real-world government is the personal income tax, with the value-added tax a close second. For this discussion, however, I assume that health insurance benefits are to be financed by a new earmarked mandated payment, which will be neither a simple surcharge on current income taxes nor an earmarked value-added tax. Indeed, since the great majority of Americans under age sixty-five already obtain and pay for private insurance in connection with their employment, there is some virtue in disrupting existing arrangements as little as possible, as long as transparency, equity, and efficiency can be preserved.

Employer Mandates, Individual Mandates, And Blended Systems

A full employer mandate would be an arrangement in which the employer is required to pay the full health insurance premium for every worker. Japan's system comes closest to an employer mandate. A full individual mandate is an arrangement in which each individual or family is required to obtain and pay for insurance coverage that meets a minimum benefit standard in some fashion. As described in our "Responsible National Health Insurance" proposal, such a mandate does not require that the insurance be purchased individually, or that individuals have the right to require their employers or fellow workers to permit them to do so.[2]

The Clinton reform plan is a system that blends individual and employer mandates. For the self-employed, it is a full individual mandate. For the employed, it combines an employer mandate to pay part of the premium with an individual mandate to pay the remaining part, and provides income-related subsidies for each part.

What's the difference? The general theoretical conclusion from economics is that there is likely to be very little difference, in the long run, between an individual mandate and an employer mandate. There are actually two propositions here. One that is almost always true but does permit exception is the following: The cost of an employer mandate ultimately will fall almost entirely on worker wages. The other, always true, is that wherever the cost of a mandate falls, it will be the same regardless of whether the mandate falls on employer or employee. I use a numerical example or scenario (in the spirit of the Clinton documents) to illustrate why these propositions hold and where differences, if any, are likely to arise.

Imagine a flower shop (called the "Flower Shoppe") with ten employees,

each of whom earns $25,000 per year. The employees are identical in both productivity and expected medical expenses. The firm initially offers no health insurance as a fringe benefit and pays no portion of any health insurance premium. Tax effects on total compensation are ignored. All of the employees are single, and the average premium in the locality for the coverage mandated under the Clinton plan would be $2,000 per year for singles. The employer's 80 percent share of this premium would thus be $1,600, or 6.4 percent of the average wage, so no subsidy would be paid to this firm under the Clinton plan's cap of 7.9 percent.

The Flower Shoppe plans to give 10 percent raises in 1994 ($2,500). It has chosen this amount for two reasons: (1) It expects increasing productivity to cause output per worker to rise by at least $2,500 per worker, and (2) it expects to have to pay such a raise in its locality to remain competitive in the local labor market. Thus, it can afford to pay the raise and still increase profits, it would reduce those profits if it laid off any workers, and it has to pay the raise to retain its workers.

What will happen if the firm is mandated under the Clinton plan to pay $1,600 for health insurance for each employee and each employee is individually mandated to pay $400, with the coverage to be obtained from the local health alliance? Assume initially that the imposition of the mandate does not change the dollar amount of the increase in compensation that the firm can and must offer; it stays at $2,500. The answer is obvious: The firm will use part of that increase in compensation to pay the mandated health insurance premium, pay the remaining $900 as a raise next year, but expect workers to take $400 of the raise to pay for their share of the health insurance premium. Compared to the previous year, each worker ends up with a health insurance policy and $500 more in cash.

There are two key ideas in this scenario. First, given the assumption that the size of the increase in total compensation is fixed, the full incidence of the employer and employee mandate falls on workers, in the sense that the total premium reduces income spendable on other things by an equal dollar amount. Second, as is obvious, each worker's final position with respect to wages and fringes is exactly identical under this "employer mandate" to what it would be had there been an individual mandate requiring each worker to buy his or her own $2,000 insurance policy; individual mandates and employer mandates are identical.

There is thus no difference in economic effects between the two kinds of mandates. The only potential difference is in the perceptions employers and employees may have as to who is paying what. In the individual mandate all payrnents for insurance are made after the paycheck amount is calculated, whereas under the employer mandate 80 percent of the premium is deducted or withheld before the amount is calculated. Of course, if

the employer informs the worker what the total cost of the compensation package is, the difference is only a matter of accounting. However, the failure, under an employer mandate, to inform workers explicitly about the total payment for insurance and the total amount of compensation may lead workers to perceive things differently.

What determines the level of total compensation? It is obvious that the key to the result that employees pay for mandated coverage is the assumption that neither the imposition nor the locus of an insurance mandate changes the total compensation the employer is going to offer. Any differential effects of mandates therefore must require this assumption to fail to hold. When might this happen, or when might employers and workers believe that it happens?

To avoid making economists look like complete fools, let us deal with a scenario in which the cost of an employer mandate will fall on profits rather than on wages. Suppose that the employer mandate was imposed only on the Flower Shoppe, not on any other employer in town. Then offering constant total compensation will not permit the firm to continue to attract its current complement of employees; they will leave for similar firms that offer the old level of cash wages and no health insurance. If it was the firm's profit-maximizing strategy not to offer health insurance, it must have been the case that, at least for this set of potential employees, cash compensation was preferred to the amount of health insurance it could buy. Were that not the case, the firm could have increased its profits by offering health insurance in lieu of wages. If the Flower Shoppe alone is then compelled to offer health insurance by a mandate, its compensation package will not be as attractive as those of its competitors. Either it will hire fewer workers, or it will have to pay them more in total-enough to compensate for the difference between the cost of health insurance and its value. Either way, at least some of the cost of the mandate will fall on the firm's profits (and some on workers' wages).

Even in this case, however, there would be no difference between an employer mandate and an individual mandate. Suppose workers at just this one firm were required to buy health insurance out of their wages (an individual mandate). The effect would be the same as that of an employer mandate: Working at that firm would be less attractive relative to alternatives, and profits would fall.

Universal coverage requires a universal mandate, so this "one-firm" case is not really relevant. It may, however, be what many employers are thinking of when they say that they cannot "afford" a mandate. They are implicitly assuming that other employers' compensation offerings to workers will stay the same.

Would a universal mandate be expected to change the total compensa-

tion the firm can and will offer? One possible (although not probable) case is that offering health insurance might improve employees' health, and thus their productivity. This would allow the owner to afford higher compensation, and all could gain from the mandate. This scenario seems unlikely, however, for two reasons. First, for middle-class workers, with a few debatable exceptions, there is little evidence that more generous insurance coverage improves health. Second, if coverage were health-improving and employees knew this, it would have paid for employers to offer it-contrary to the initial assumption. One might invoke employee ignorance as an excuse, but it seems a weak one. In general, it seems unlikely that offering insurance would change what employees are worth to the firm.

The other possibility, somewhat more likely, is that a universal mandate (of either type) will change what employees must be offered to stay with the firm. One possibility is that the combination of universal mandate and health alliance may lower the cost of insurance, perhaps enough to make it worth the lost wages to workers. However, it seems unlikely that there will be such a net reduction in insurance costs.

The other, more complex case is one in which workers with lower demands for insurance specialize in certain jobs or products. This would occur if the taste for insurance were correlated to some extent with the skills needed for certain jobs. One simple basis for correlation would be if the demand for insurance were sensitive to total income or wages, and certain jobs or products used workers at different wage or skill levels. Low-skill, low-wage workers who produce certain products then would be more attracted by cash-rich, fringe benefit-poor compensation packages.

In this case, some of the cost of the mandate could fall on owners, if their capital were more tightly tied to a specific product or service than the skills of workers were. Take two extremes. At one extreme, workers must work, and they have a skill that can only be used to produce a particular product, but the capital they work with can easily be converted to other uses. It is obvious that the return to capital cannot be reduced by the mandate, but the wages of these workers could be. At the other extreme, the owner's capital is tied up in a particular product, but workers could be nearly as productive doing lots of other things, including working in industries where coverage is the norm. Then these specific workers would not bear the cost of the mandate, but capital owners would. Even here costs ultimately would fall on workers in general.[3]

The key insight, however, is that whatever happens in this more complex case, the result would be the same whether the mandate is on employer or employee. Consider the case in which capital is linked to certain products, and instead of assuming that employers were obliged to pay for coverage, imagine that workers were required to do so. This would make working

in that industry less attractive, profits would fall, and workers would leave until they were as well off in that job as in competing jobs. The punchline is that however complex the final incidence of a mandate (relative to some initial situation in which some firms did not provide coverage through the workplace), that pattern will be the same if the mandate is initially placed on the worker or on the employer. This goes back to the earlier point: It does not matter whether the check to pay for coverage is deducted before or after the compensation amount is accounted.

All of these analyses imply that in the long run wages will fall by the amount of the employer cost of the additional coverage. This type of analysis is at the heart of the conclusion by Clinton administration economists that there will be at worst minor unemployment effects of an employer mandate. That is, to reach their conclusion they had to assume that the incidence of an employer mandate is on workers. For all but minimum-wage workers-for whom there can still be problems-mandates will affect wages, not employment. In and of itself, this does not necessarily mean that mandates do no harm to workers; it only means that mandates reduce workers' wage levels rather than their chances of keeping their jobs.

Some modem macroeconomic theories of involuntary unemployment sometimes attribute money-wage rigidity to a kind of myopia in employer and worker perception: Employers and employees do not adjust money wages as soon as unemployment starts to develop because they do not know what is happening in the labor market as a whole.[4] However, it is precisely the same myopia that would lead an employer to lay off workers because the employer could not "afford,, the mandate: The employer does not know for sure that the mandate, imposed on competitors in the labor market, will permit wages to be cut. To be sure, even if all employers are myopic and fire people, eventually the increase in unemployment will put downward pressure on market-level money wages. "In the long run" wages must fall-even if employers are thick-headed. But in the process there can be some transitional unemployment.

Will an individual mandate cause employers to drop payment for coverage? Now we consider an alternative scenario. Imagine that Posie Palace is a florist identical in all respects to the Flower Shoppe except that Posie Palace now pays 80 percent of a health insurance premium and therefore pays $1,600 toward health insurance but pays $1,600 less in money wages. All employees opt to pay the remaining 20 percent, so all are initially covered. This firm would be unaffected by an employer mandate. What about an individual mandate? The answer to this question may depend to some extent on the form the individual mandate takes. The simplest and, in my view, the best form for such a mandate is one that simply requires that each citizen obtain coverage somehow, that treats all

payments for the employee's insurance as part of taxable income, but that does not or need not specify how that coverage must be obtained. Thus, the workers at Posie Palace can be in compliance with the law by continuing their current behavior.

But might the employer in the Posie Palace imagine that after the passage of an individual mandate it would be good business to stop or reduce the amount paid for insurance before compensation is calculated, the "employer payment?" As President Clinton asked in his speech to the National Governors' Association conference last summer, "If you impose an individual mandate, what is to stop every other employer in America from just dumping [insurance for] his employees or her employees, to have a sweeping and extremely dislocating set of–chain of events start?" From the viewpoint of workers, if the employer stops "paying" for insurance and does not change money wages, this would be equivalent to reducing their net compensation, since they would have to make up the lost employer payment. Unless (contrary to assumption) the employer was overpaying in the first place, such a reduction in employer payment cannot increase profits. After all, the initial level of employer contribution was voluntary, chosen with an eye to conditions in the labor market. If Posie Palace cut the employer payment, working at the Flower Shoppe would become a better alternative.

Thus, there is no direct impact of an individual mandate that would make the employer want to change things. If anything, an individual mandate should greatly increase the likelihood that employers will make opportunities for coverage available. For one thing, for employers that now choose to offer group coverage, an individual mandate offers them no reason to stop doing so. An individual mandate certainly does not require that individuals purchase their insurance individually; it only requires that they obtain coverage, and for the great majority of American workers, the cheapest way for them to obtain the coverage they will be required to have is to continue with their current employment-related group insurance. In addition, for those employees who do not now obtain coverage through the workplace, the obligation that they get coverage somehow will surely lead many of them to bargain with their employers for employer assistance in arranging group coverage in return for reductions in employee wages, if the group of workers and employers decide that they want to have a minimum participation and incentive for levels of participation. In short, far from triggering a spiral of employers discontinuing opportunities for employment-related coverage, the effect of an individual mandate should be to greatly increase the prevalence of such opportunities.

Would the availability of tax credits to employees cause the employer to cease offering coverage? If the credits take the fixed-dollar form we de-

scribed in our "Responsible National Health Insurance" proposal, the answer is "no," since the size of the credit does not depend on whether the premium is paid as an "employee payment" or an "employer payment." In the bill introduced by Sen. John Chafee (R-RI), such a possibility would arise, since that bill ties the credit to the size of the "employee payment"– it fails to recognize that "employer payments" reduce the money available to employees to spend on other things fully as much as so-called employee payments do.

Could there be indirect effects? The advantage of offering a fringe benefit to workers in this firm will be eroded when all of its competitors in the labor market are forced to do the same thing and offer the same package. However, it still will be disadvantageous to the firm to require employee pay ment, unless employees fail to notice what is going on.

How can an individual mandate be enforced? It might, at first thought, appear more difficult to enforce an individual mandate than an employer one-there are many more employees than there are employers, and what does the government do if an employee neglects to obtain coverage on his or her own? The easiest way to think of an answer to this question is to note that the individual mandate is a tax-in effect, it requires each citizen to pay a tax, which is used to finance health insurance.[5] Thus, it seems natural to use the same mechanisms to enforce collection of this tax as for other taxes imposed on employees. The way the individual income tax and the employee's share of the payroll tax are collected is via mandatory withholding by the employer, with any overpayment or underpayment adjusted for at tax return time. The same mechanism would appear to be feasible for the insurance tax. The employer would be required to ascertain whether or not the employee had obtained insurance (including as a member of an employment-related group) and, if not, to withhold from the employee's wages enough to pay for insurance from a government-contracted or government-run insurer of last resort.

What is being proposed here is really a hybrid, in which the employer is used as the first-line tax collector, but in which the payer is clearly identified to be the employee. The task of collecting such premiums (and adjusting them for family composition, plan chosen, or income) is no more difficult (and no easier) than is the task of collecting income taxes through wage or income withholding. For higher-wage persons, who file income tax returns, the administrative cost of adding one additional tax or surcharge (or check box) to form 1040, and requiring insurance status to be recorded on the withholding tax statement (form W-4) that must be filed for every worker, would appear to be minimal. For lower-income workers for whom subsidies would be paid, voluntary cooperation would be enhanced by the desire to obtain the subsidy, and the credit that would pay the subsidy need

be no more difficult to administer than (and could even be merged with) the earned income credit. Finally, persons already receiving welfare payments could have their credit incorporated with their other government payment.

While there will be some additional administrative complexity added to the current system, it is not obvious that combining an individual mandate with a system of tax credits is any more administratively complex than the Clinton proposal. That proposal imposes a new tax on a new base and requires a new definition of what is a "firm" and what is an "employee." In addition, the Clinton plan already requires a partial individual-mandated payment, subsidized based on an individual's income, so it is already going to be incurring the administrative cost of an individual mandate.

Advantages Of The Individual Mandate

One advantage of an individual mandate relates to the previous discussion: An individual mandate can be much more precisely targeted, and therefore be both fairer and more efficient, than an employer mandate. Presumably, for example, we desire to subsidize the health insurance purchase of low-income families, not low-wage individuals or families. Although wages are correlated with income, there can be low-wage earners in high-income families, or well-off low-wage families that get nonwage income. In addition, there certainly can be low-wage and low-income workers in firms with high average wages. An individual mandate allows the credit or subsidy to a person to depend only on their circumstances, not where they work, and so can avoid the serious distortions of firm organization inherent in the Clinton approach.[6]

A new employer mandate may not result immediately in lower employee wages. Long-term labor contracts, myopia on the part of employers, and general uncertainty may cause money wages to fail to fall immediately for formerly uninsured workers. If this happens, a likely response of employers will be to lay off workers, since they will now be too expensive to continue to hire in such numbers. The key issue here is whether employment can be adjusted more rapidly than money wages. As noted above, increased unemployment eventually will put downward pressure on money wages, so even employer misperceptions will not be a bar to adjustment. But most policymakers probably would agree that adjusting to a mandate through unemployment is more painful than adjusting to it though lower money wages (though obviously neither is painless). An individual mandate for payment will avoid the necessity of adjusting posted or cash money wages and therefore will be able to avoid this painful period of transition.

In addition, workers now earning near the minimum wage are not able to

reduce their money wages, so some of them will have to be fired. Estimates of the employment effects of the Clinton employer mandate have been politically controversial, ranging from slight job gains to losses in excess of four million. The virtue of an individual mandate is that it neatly avoids this controversy, since money wages will not have to adjust to an individual mandate, nor will it cause the minimum wage law to be violated.

Still a third advantage of an individual mandate is that it does not base insurance premiums on public subsidies, employment status, or wage levels. Problems associated with part-time workers, two-worker families, or independent contractors simply will not arise.

The final advantage of an individual mandate over an employer mandate is better political decision making. It surely is safe to say that there is no general agreement among policymakers, lobbyists, or ordinary citizens about who pays the cost of an employer mandate. I assert that good decisions in a democracy occur when citizens find it easy to understand both the extra taxes and the extra benefits they will get from government action. (I reject the School of Machiavelli approach, which holds that it is sometimes necessary for wise politicians to deceive the electorate for its own good.) An individual mandate is much more straightforward in terms of its intelligibility-under an individual mandate, what you pay is what you pay. On the grounds of political transparency, then, such a tax is to be preferred.

To be sure, one of the dangers of informing the electorate in a democracy is that, given the set of political institutions (constitution) under which decisions are made, they may not choose what one prefers. They might prefer no health reform to a health reform they must pay for under an individual mandate. They might prefer a set of tax credits either more or less progressive than the Clinton plan and different from what one prefers. But that is the hard lesson of democracy.

From Employer Mandate To Employer-Enforced Individual Mandate

For better or worse, the Clinton plan already takes choice about health insurance coverage away from employers and transfers it to health alliances. The employer plays only the role of financier. Economic theory says that the employer plays that role as that of a tax collector in disguise, only to be unmasked in the long-run denouement, in which it becomes apparent to all the players that the employees paid for their health insurance themselves. While mistaken identity can be comic, and while politics can generate a comedy of its own, good social decision making would seem to require more honesty and transparency. Extending the individual mandate already imposed on nonwage earners (and 20 percent imposed on wage earners) to all

citizens under age sixty-five would have some substantial advantages and would be relatively easy to implement. Moreover, an individual mandate seems much more in the spirit of a number of other important points President Clinton made in his speech to the governors. For instance, he talked about the need to prevent people from being "free riders still riding the system." An enforced individual mandate prevents free riding. He also spoke eloquently about the need for Americans to realize "that health care is not something paid for by the tooth fairy, that we should all be acutely aware of the cost each of us imposes on it." There seems to be little reason to doubt that the best way to make people aware of the cost of the care they receive is to have them pay for it individually.

In short, the individual mandate approach seems much more consistent with the president's overall objectives than the employer mandate approach his advisers currently seem to favor. Most of the other desirable health reforms-transfers to help high-risk people, purchasing cooperatives to lower the administrative cost of insurance for small groups, and curtailment of tax incentives for overly lavish coverage-can easily, perhaps more easily, be combined with an individual mandate system than with an employer mandate system.

NOTES

1. M.V. Pauly, *Medical care at Public Expense* (New York: Praeger Publishers, 1971).
2. M.V. Pauly et al., "A Plan for 'Responsible National Health Insurance'," *Health Affairs* (Spring 1991): 5-25.
3. P.M. Danzon, "Mandated Employment-Based Health Insurance Incidence and Efficiency Effects" (Unpublished working paper, Department of Health Care Systems, The Wharton School, University of Pennsylvania, November 1989).
4. See, for example, R.G. Ehrenberg and R.S. Smith, *Modern Labor Economics* (Glenview, Ill.: Scott Foresman and Co,, 1982), 480-483.
5. M.V. Pauly, *Responsible National Health Insurance* (Washington: AEI Press, 1992).
6. M.V. Pauly, "The Clinton Plan: What Happened to the Tough Choices?" *Health Affairs* (Spring I 1994): 147-160.